

Keynote remarks by  
**Tony T. Brown, Director**

Community Development Financial  
Institutions Fund (CDFI)

at the

New Markets Tax Credit Briefing  
Rapoza Associates

Baltimore, Maryland  
Thursday, July 31, 2003

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Contact: Bill Luecht  
(202) 622-8042

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U.S. Department of the Treasury**

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Good afternoon and thank you Bob (Rapoza) for the kind introduction and inviting me to share with you some thoughts on the New Markets Tax Credit (NMTC) Program as we enter the second round.

As many of you may know, the NMTC Coalition has been at the forefront of creating and supporting the NMTC Program. Thank you, Bob and the Coalition.

It is a pleasure to address you - as you represent the very organizations that work in the very distressed communities that the New Markets Tax Credit Program is meant to help.

In remarks to community and business leaders across the country, President Bush acknowledges the role of community-based organizations, like the ones that you represent, in helping to eliminate pockets of economic despair. President Bush believes in the work we do to improve America. He knows that we must work hard and that there is plenty of work to do. And he knows that we can eliminate poverty and despair with love, compassion and decency.

The President sees us as partners.

- President Bush will not be satisfied until every American who wants a job can find one;
- The President is committed to creating lasting prosperity that reaches every corner of America.

This past March I had the privilege to travel with the Treasury Secretary, John Snow, to Ohio as he announced the inaugural round of 66 allocatees for \$2.5 Billion for the NMTC Program.

Secretary Snow reinforced this Administration's commitment to grow the economy and provide jobs for all Americans. And Secretary Snow commended the fine work already underway by our nation's CDFIs and Community Development Entities (CDEs) to help improve the economy of the low-income communities across the country.

My invitation to speak today was extended not to share with you the mechanics of the NMTC program as many of you already understand the program requirements, and for those beginners, you are in good hands and will receive great insight from my CDFI fund staff and the other speakers participating in today's sessions.

What I will share is my reflections on the opportunities presented by the first round of NMTC allocations, announced this spring and this next round, for \$3.5 Billion, which was announced last week, holds for us.

As many of you know, the need for equity capital in low-income communities is great. In August 2002, the Fund received 345 applications requesting an aggregate of nearly \$26 billion in NMTC allocations.

On March 14th in Cleveland, Ohio we announced the allocation of NMTC authority to sixty-six (66) CDEs, thus supporting \$2.5 billion in private sector equity investments that will result in needed economic growth in low-income communities throughout the country.

Yes, the first round was highly competitive and I expect future rounds will continue to be so.

The CDEs that were selected to receive allocations represented a broad cross section of community development entities. There were both large and small CDEs, affiliates of nonprofits as well as for-profit entities, CDEs that will focus locally as well as nationally, and CDEs that will focus on both rural and urban locations. The majority of allocatees will focus on either business investments and loans or real estate investments and loans, with a smaller percentage making investments in other CDEs or purchasing loans from CDEs.

The allocatees in the first round of the NMTC Program show a broad focus for investment activity. Let me give you four distinct examples:

### **An Allocatee with a Single Project**

Greater Jamaica Local Development Company, Inc. is a nonprofit subsidiary of another nonprofit - Greater Jamaica Development Corporation which:

- Promotes community development within Southeast Queens by providing loans and technical assistance to small businesses not eligible to borrow from traditional lenders; and
- Emphasizes the needs of women and minority-owned businesses.

Greater Jamaica Local Development will use its NMTC allocation to support a single real estate development project. Here are some of the details:

- It is located in the downtown Jamaica, Queens borough of New York City;
- It is a 14-story office building;
- It combines office space, ground floor retail, and public parking garage;
- It is the first building of a planned development of an airport district;
- It is also located adjacent to a major transportation hub for local commuter rails;



- This development is the result of planning efforts conducted by federal, local and state governments, as well as community residents;
- The project works in conjunction with an existing local government program to combat unemployment in low-income communities.

The expected impacts are:

- Generate hundreds of new office and retail jobs;
- Increase revenues of local businesses in vicinity of development; and
- Keep economic benefits w/in the community.

Without the New Market Tax Credits, Greater Jamaica could not attract the private sector capital necessary to fund this project, while still charging acceptable rents for prospective tenants.

### **A Bank Allocatee**

Liberty Bank and Trust Company is a community bank and a CDFI that:

- Focuses on consumer, residential, and small business loans as well as customer-driven financial products and services to diverse markets; and
- Particular focuses on the disadvantaged African-American community.

Liberty will use its NMTC allocation to:

- Provide flexible forms of financing and technical assistance to small businesses, traditionally considered unbankable;
- Provide debt and equity financing for commercial real estate projects;
- Will focus on Jefferson and Orleans Parishes in Louisiana which includes the City of New Orleans;
- Will collaborate with several other citywide organizations in New Orleans; and
- Will target areas already identified by local and federal governments as distressed.

The expected impacts are:

- Catalyze job creation;
- Provide capital for small businesses and stimulate economic revitalization;
- Encouraging expansion of medium sized firms committed to the target areas; and
- Increase the value of real estate in depressed areas.

With its New Markets Tax Credits, Liberty hopes to change the mainstream perception of investing in low-income communities and introduce more flexible underwriting criteria that will enable Liberty to provide more services to underserved borrowers and investors, while at the same time targeting particularly economically distressed areas.

## **Our Smallest Allocation**

Northside Community Development Fund received the smallest allocation award in the 2002 round - \$500,000. Northside has a very neighborhood specific strategy. It started as a local loan fund that developed from a neighborhood based effort to revitalize Pittsburgh's Northside.

Northside will use its NMTC allocation to:

- Provide business loans, including micro-enterprise loans and gap financing;
- Provide financial counseling and development services to businesses, such as business plan development; and
- Continue to leverage existing local programs; and
- To partner with neighborhood organizations to support the business districts in Pittsburgh's Northside.

Northside's expected impacts are:

- Increase capital access for local businesses;
- Create jobs, increase wages, facilitate wealth-creation, increase the tax base and reduce blight; and
- Help microentrepreneurs take advantage of market expansion opportunities.

The New Markets Tax Credits allocated to Northside will allow it to significantly increase the number of loans it can make to small businesses in the distressed Northside neighborhood of Pittsburgh.

## **Our Largest Allocation**

The Phoenix Community Development and Investment Corporation is a subsidiary of the City of Phoenix, AZ. It will use its \$170,000,000 New Markets Tax Credit allocation to provide equity and debt financing to:

- Attract and provide funds for projects that will improve the quality of life of those individuals who live and work in under-served areas of Phoenix, AZ;
- Develop or rehabilitate commercial real estate in distressed areas, including retail development and hotel projects;
- Develop large mixed-use commercial facilities in downtown Phoenix, including a biotechnology campus; and
- Finance small and start-up businesses, with a particular focus on equity investments in biotechnology start-ups and expansions.

Phoenix CDIC's expected impacts are:

- Financing businesses committed to staying in the community;
- Retaining and creating quality jobs for residents of low-income communities and for low-income persons in areas suffering from high unemployment; and
- Demonstrate feasibility for additional investments into low-income areas.



This allocation of New Markets Tax Credits will help Phoenix offer below-market rate loans and equity investments as a means to locate additional commercial development and businesses in lower income areas of the city.

I am very optimistic that we will see the New Markets Tax Credits used in ways that will truly make a difference in low-income communities across the country and that these projects will produce measurable results that will speak for themselves.

In the months ahead, together we must continue to ask the investment community to step up in a bold way. Our low-income communities are in need of private investments and venture capital.

We have an opportunity today. There are investors who may be disappointed with stock market returns after riding the waves of the "dot-coms" and the "tele-coms."

We need to grab institutional and investors by the arm and say "Hey! look at my community there is a new era of opportunity: that of the low-com." Our low-income communities are in desperate need of investment capital and job opportunities.

In less than seven years time, when we look back, we hope to say that the NMTC Program put significant amounts of private sector capital to work in the areas where it was needed most, and that it had a material impact on the well-being of those who live in those areas. We know that you too share this vision.

Now, as for the next round...

As most of you know the New Markets Tax Credit Program was created in December 2000, when the Community Renewal Tax Relief Act was signed into law. The New Markets Tax Credit Program was designed to help stimulate up to \$15 billion of needed private sector investments in low-income communities across the country.

While the first round allocated \$2.5 billion of these tax credits, two weeks ago tomorrow (July 18, 2003), with the publishing of our Notice of Allocation Availability in the Federal Register, we made available up to \$3.5 billion in New Markets Tax Credits.

This second round of the New Markets Tax Credit Program will build on the first round. We have however, made a few changes that I want to note for you, based in part on your comments. Jennifer Westerbeck - a member of my New Markets staff - will discuss specific application changes with you in detail this afternoon, but just to highlight a few examples.

This year,

- We significantly reduced the overall information collection in the application by eliminating a number of questions and tables:
- We prohibited affiliated entities from submitting more than one application in the same round, which will enhance our ability to evaluate the strategies of organization from the same family of entities; and
- We placed greater emphasis on an applicant's ability to deliver community impacts, which underscores the NMTC program goal of serving our nation's low-income communities.



- Previous awardees (and affiliates of previous awardees) under the NMTC program may not receive d an allocation unless the previous awardee can demonstrate that, as of February 17, 2004, it has issued at least 50% of its Qualified Equity Investments (QEIs). The program is highly competitive. The first measure of success for the NMTC program is investor acceptance of the program. They will demonstrate this through their checkbook. We will aggressively manage against CDEs winning large allocations of NMTCs that take years to deploy.

Let me leave you with these final thoughts.

Our goal at the CDFI Fund is to help make America a place where all of its people, including those in economically distressed communities, can realize the American dream through better access to credit, capital and financial services. Fiscal year 2003 has been a transition year in which the Fund has shifted from being primarily a grants-making organization to one aimed at measurably improving the economic conditions of the residents of low-income communities by spurring economic growth and jobs through community development finance.

To be a community development professional requires vision.

When others see vacant lots, dilapidated housing and deteriorating neighborhoods, you guys see an oasis of community spirit.

The spirit of America means that our neighborhoods and communities should never be characterized ghettos where the motto is to "get out of the 'hood."

The spirit of America means that our neighborhoods and communities singularly represent who we are as a nation.

I applaud you and commend you for the fine work you do to improve our nation's communities. President Bush often reminds people that the great strength in America is not in our governments. The great strength in America is in the hearts and souls of citizens all around our country. The great strength in America is embodied in those who work, such as you, in community-based institutions across the country.

We believe in you and the potential that you can make in helping to improve the lives of your customers and the communities you serve.

It has been an honor to join you and I look forward to working with you in the months to come.

Thank you very much.

